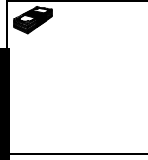


## Municipal Credit

# Analyzing and Financing a Municipal Housing Strategy

Bielsko-Biala, Poland



## Background

In June 1996, the city council of Bielsko-Biala unanimously approved a housing strategy that recognized both the continuing role of public housing and the need to marshal financing from diverse external sources. The strategy calls for investment in rehabilitation of public housing, renovation of the historic market square, and assembly of land parcels for sale to private developers. The city was initially tempted to finance the strategy using a municipal bond backed by general revenues, but it became clear that the city alone could not finance the 12 housing initiatives approved in principle. The city decided on a more deliberate approach to assess municipal finances and creditworthiness and to analyze in detail the financial requirements of the housing strategy.

## Innovation

A municipal bond committee was established to estimate financing requirements and identify sources of long-term funding for the various programs. A municipal financial analysis model ("GMINA FAM") was used to analyze the projected operating budget revenues and expenditures, the city's combined capital investment plans, debt-carrying capacity, and the impact of planned investments on the city's budget. The analysis was presented to Bielsko-Biala's bond committee, management, board, and council.

For each of the 12 proposed programs, the city defined the objectives, technical approach, participation criteria, and other characteristics; identified target beneficiaries and expected results; identified significant risks that could affect the expected results; estimated net financial impact; and determined performance indicators for monitoring and evaluating each program. These elements were reported in a common format, providing clear and concise information that would help municipal decision-makers decide which programs would be most effective in pursuing the city's strategic objectives and estimate their impact on the city budget. Some projects were found to have negative rates of return, leading to a net drain on the budget; others were projected to yield positive rates of return.

The results of the financial analysis revealed that the city could prudently incur less than one-third of the new debt that it had initially planned. Maximum annual ceilings for capital expenditures in individual budgetary categories were determined based on municipal budget projections for the next 10 years. This analysis ultimately became the basis for several banks' evaluation of Bielsko-Biala's creditworthiness and led to the conclusion that a 10-year credit line from a commercial bank would be more advantageous than a municipal bond issue.

## Results

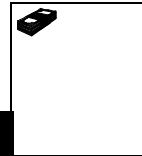
## Summary

To implement its housing strategy, the city of Bielsko-Biala used a municipal financial analysis model to analyze the projected operating budget revenues and expenditures, the city's combined capital investment plans, debt-carrying capacity, and the impact of planned investments on the city's budget. Armed with this information, the city reduced its ambitious borrowing plans and negotiated a line of credit with a commercial bank, allowing more flexible financing that can be adjusted to match the cash flow profiles of the various housing projects.

For more information contact:

Jerzy Krawczyk, Vice President,  
Urząd Miasta Bielska-Białej  
Tel. 48-33-14-59-31 or 48-33-14-29-44

This was the first time that municipal administrative staff went to such great lengths to assess the long-term impacts of borrowing and investment plans in order to choose a prudent and responsible financing strategy. Individual housing programs also were subjected to an unprecedented level of financial and cost/benefit analysis. In the process of developing and financing a housing strategy, private-sector participation has increased markedly—by the bank that provided the commercial credit, by individual residents and small businesses that were interested in renovation, and by nongovernmental entities, such as housing cooperatives and private developers. The rigorous financial analyses resulted in more realistic and flexible design and financing of the housing programs, and 11 of the 12 housing-related investments that the city identified as top priorities are now being implemented.



## Municipal Credit

# Applying Long-Term Lending Schemes for Infrastructure

Dzerginskiy and Volgograd, Russia

## Background

Russian cities are enduring a serious crisis in financing capital investments in housing infrastructure. Strained municipal budgets are not able to satisfy the growing needs of cities for reconstruction and improvements of their infrastructure; engineering networks are falling into disrepair and decay; the quality and timeliness of communal services are declining; and the costs of providing maintenance and adequate levels of service is increasing. The lack of practical tools and training are critical constraints on the ability of local governments to develop financing schemes that are attractive to lenders.

## Innovation

A Russian nonprofit organization called the Institute for Urban Economics (IUE), whose mission is to analyze and promote solutions to social and economic problems of cities and regions, developed long-term lending schemes for infrastructure in early 1997. The goal of the lending schemes was to help Russian cities and regional administrations generate funds for rehabilitation and development of housing and utilities. A package of documents, including financing schemes and sample agreements, was provided to cities for use in various lending scenarios. The financing schemes use the savings realized by reducing the cost of providing communal services to repay the debt. They explain how to use borrowed funds to finance reconstruction of the city infrastructure, suggest new types of collateral for loans (e.g., rights-of-claim pledge for communal payments for the services rendered by the utility), and provide sample contracts for carrying out lending procedures.

## Results

Long-term lending schemes for infrastructure have been discussed with a number of Russian banks, and several cities in Russia are using the financing schemes to address their infrastructure needs. The lending schemes have been adapted for heating, water and sewer and gas industries, and with minor adjustments, they could be used for other types of infrastructure needs. The city of Dzerginskiy has purchased capital equipment for modernization of its water treatment system within the framework of an installment sale contract. And the city of Volgograd used a lending scheme as the basis for a project to modernize its heating system. IUE's collateral schemes are being used by the "Incom-leasing" project for the preparation of these deals.

## Summary

To help local governments generate funds for infrastructure improvements, an indigenous nonprofit organization developed a package of information, including suggestions for financing and sample materials. Dzerginskiy and Volgograd are among the Russian cities that have taken advantage of these resources to obtain financing.

For more information contact:

Pavel Svistunov, Institute for Urban Economics, Moscow  
Tel. (7-095) 280-0735

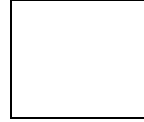
G.I. Tomarev, Head of Rayon Administration, city of Volgograd  
Tel. (7-8442) 75-34-66

Aleksandr Sbitnev, Head of "Incom-Leasing" Project, Moscow  
Tel. (7-095) 755-9130

## Municipal Credit

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Dzerginskiy and Volgograd, Russia



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Pavel Svistunov, Institute for Urban Economics, Moscow  
Tel. (7-095) 280-0735

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Tel. (7-8442) 75-34-66

Aleksandr Sbitnev, Head of "Incom-Leasing" Project, Moscow  
Tel. (7-095) 755-9130

## Economic Development and Planning

## Developing a Pro-Investment Climate and Strategy

Novgorod, Russia



## Background

In the early 1990s, Novgorod Oblast (County) was ranked 63<sup>rd</sup> out of Russia's 89 counties in terms of investment potential. Unemployment was high, factories were in disarray, and 49,900 people had lost their jobs. Between 1990 and 1995, production dropped 41 percent. The defense industry, once the mainstay of the manufacturing sector, halted its orders. Further complicating the situation was the lack of strategic natural resources or heavy manufacturing potential in Novgorod.

## Innovation

In the mid-1990s, the Novgorod Oblast administration launched a campaign to become a leading investment-oriented region in Russia. The county administration experimented with a new real property tax, established the Novgorod Investment Promotion Agency, developed progressive pro-business legislation and tax investment incentives for both Russian and foreign investors, and initiated a series of reforms designed to attract business.

With assistance from the donor community, Novgorod set forth the parameters that guide its investment policy. First, the terms negotiated for any investment cannot be changed to the detriment of the investor, even if there are legislative changes on the federal level. Second, Novgorod does not discriminate between foreign and domestic investment. These two points, as well as specific tax incentives, were discussed and approved at an open forum as part of a total "Concept for Growth in the Novgorod Oblast." The county administration presented the development plan to the public for discussion, revision, and approval.

## Results

Novgorod's legislation, the government's pro-business attitude, and its new practice of including citizens in the process have paid off. Today, Novgorod is recognized throughout Russia by commercial organizations and the international donor community as a leader in implementing innovative economic and democratic reforms. The county has secured approximately \$600 million in foreign investment, with commitments of up to \$2 billion. Cadbury Schweppes selected Novgorod Oblast as their first choice of the site of a new \$150-million factory, Stimorol is opening a \$100-million chewing gum factory, and Owens Illinois recently announced its plans to invest \$100 million in a glass bottle manufacturing facility. Several smaller investments include Dresser Industries, Lucent Technologies, and Alphagraphics.

Novgorod's location in northwest Russia, between St. Petersburg and Moscow, has made local officials recognize the importance of working with other counties and regions, and the experiences of the oblast are being replicated in other communities throughout Russia. In June 1998, the former vice governor of the Novgorod Oblast established the Foundation for Strategic Initiatives, which assists regional and local governments to develop pro-business legislation and practices. The foundation works actively in the regions throughout Russia, as well as at the federal level on investment policies, to bring Novgorod's success to all of Russia.

## Summary

To attract investment and increase jobs, Novgorod Oblast adopted a progressive investment promotion strategy, including new laws, policies, and tax incentives. Its efforts have resulted in a boom in foreign investment—\$600 million to date, with addition commitments of \$2 million.

For more information contact:

Mikhail Skibar, First Deputy  
Governor of Novgorod Oblast  
Tel. (81622) 78380  
Fax (81621) 31330

Mikhail Godgildiev, Chair of the  
Industry Policy and International  
Economics Relations Committee,  
City of Novgorod  
Tel. (81622) 73102  
Fax (81622) 74783

Valerii Trofimov or Alexei Finikov,  
Strategic Initiatives Inter-regional  
Fund  
Tel. (81621) 31-996  
Fax (81621) 32-039  
E-mail arpin@telecom.nov.ru

## Economic Development and Planning

## Bolstering the Tourist Economy

Mikolajki, Poland



## Background

The rolling hills and deep blue lakes that surround Mikolajki, a town of 8,600 in the Mazurian Lake Region, have long made the town a prime tourist destination for many Poles and increasingly for foreign tourists as well. Mikolajki has a well developed tourist infrastructure, with over 3,000 hotel rooms and a range of water sports and hiking and cycling opportunities. However, the region in which the town is located is notorious for its lack of municipal services and high unemployment. To ensure repeat business, Mikolajki needed to take measures to provide tourists with adequate services.

## Innovation

Town leaders decided to work with local partners to strengthen the economic base by supporting the development of tourism, extending the tourist season, and promoting an environmentally friendly model of tourism. In cooperation with the Mazury Natural Scenery Park, local businesses, and others, the town prepared a tourism development strategy that plans for investments in roads, parking lots, cycling paths, and nature trails. The strategy also calls for the creation of a Center for Education and Information on Nature and a Tourist Information Center.

An integral aspect of the tourism plan was the creation of a Tourism Council, which will serve as the mayor's advisory body as the plan is implemented. Members on the Tourism Council represent the local business community, NGOs, and academic institutions concerned with environmental protection. The council's functions will include providing input on decisions concerning construction and spatial planning and proposing the preparation of tourism development plans based on expert opinions.

## Results

Mikolajki's Tourist Information Center has served more than 4,500 clients. Leaflets on main tourist attractions, maps, and tourist guides have been published in Polish, English, and German.

Infrastructure investment projects are improving the local energy and water supply. The town is working with innkeepers, private farms, and nature reserves to develop high-standard services and a marketing strategy that promotes Mikolajki nationally and abroad. Most recently, the town installed a telecommunications system that enables direct dialing to countries throughout the world. The town has succeeded in converting its natural advantage as a beautiful site into tourist income and economic activity.

## Economic Development and Planning

## Involving the Business Community in Economic Decisions

Nidzica, Poland

## Summary

To build its tourism industry, the town of Mikolajki has made infrastructure and municipal service delivery improvements a priority. Working with innkeepers and others involved in the tourist industry, the town has developed and is implementing a tourism development plan that allows Mikolajki to capitalize on its natural beauty to boost the local economy.

For more information contact:

Jacek Maliszewski, Project Coordinator  
Tel./Fax (087) 216-850

Mikolajki Association  
Tel. (087) 215-013



## Background

The region of Nidzica consists of four gminas with a total population of 35,700. Prior to 1990, agricultural production in Nidzica was “collectivized.” In 1990, the collectives in the area were dissolved, and the unemployment rate skyrocketed. In addition to the town’s growing economic problems was growing antagonism between the business community and the local government. Although a Convention of Entrepreneurs-Employers was operating in the region, with a membership of 20 firms, business owners were unaware of local procedures and regulations with which they needed to comply, and local government officials had little understanding of the effect of their decisions and the lengthy bureaucratic procedures on businesses.

## Innovation

To remedy this situation, the town of Nidzica, the Convention of Entrepreneurs-Employers, and the NIDA Foundation (an independent NGO created in 1994 to encourage economic development) signed an agreement in 1997. In the agreement, the three parties pledged to cooperate in community promotion efforts, investment planning, zoning decisions, and strategic planning for community development. The local government empowered the representatives of the Convention of Entrepreneurs-Employers and NIDA to review local legislation on taxes and deductions, zoning and spatial planning, and the town’s annual budget. A representative of the Convention was made a permanent member of the Committee on Economic Development.

The agreement facilitates a steady flow of information among the parties. The Convention representative keeps the local business community informed about the activities of local government. NIDA provides a special computerized information service, through which local businesses can access databases of economic information, potential business partners, funding sources, consulting firms, local government resolutions, etc.

The parties have cooperated in several community development initiatives. Following a proposal from the Convention of Entrepreneurs-Employers, the town council granted property tax exemptions to properties or parts of properties located on ground meant for industrial development. The Nidzica Scholarship Fund, which is financed by the voluntary contributions of the municipal government, local businesses, and other institutions, has awarded scholarships to twenty-two students. The tri-sector agreement has established a loan guarantee fund that gives small and medium-size firms access to commercial credit, which has already created more than 300 jobs. The parties have also established a training center that offers training in job skills to unemployed workers and in business issues for small and medium-size businesses. Since the center opened, 130 representatives of local business have participated in training on taxes and tax returns, construction law, and supervision.

## Results

Nidzica has benefited greatly from the ongoing cooperation of the public and private sectors, which allows for stakeholder input into important decisions, and the new focus on economic development and an investment-friendly environment. Since 1994, the unemployment rate in Nidzica has fallen from 39 percent to 15 percent. The success of the partnership in Nidzica has led other cities in Poland to replicate its efforts. In Łęczyca and Olsztyn, letters of intent have been signed for the cooperation of three sectors—private entrepreneurs, NGOs, and local authorities.

## Summary

To improve the relationship between the local government and the business community and to promote the economic growth of Nidzica, the local government, a local business coalition, and an economic development NGO signed an agreement spelling out their roles and responsibilities and pledging to work together. The agreement has helped the public and private sectors share information and cooperate on initiatives that promote economic growth, which have contributed to a substantial drop in the unemployment rate.

For more information contact:

Krzysztof Margol, Project  
Coordinator  
Tel. (089) 625-22-26  
Fax (089) 625-54-37

## Economic Development and Planning

# Shifting from Traditional to Modern Economic Activities

Sibiu Judet, Romania



## Background

Sheep farming traditionally has been one of the most important economic activities in Romania, and although it is not as common as it was, it has remained a basic economic activity of communities in the mountain and hilly areas. It is one of the most important economic activities in Sibiu Judet (county). Sheep farming traditions have continued for centuries; it is a trade in which technological progress is almost nonexistent and processes have remained unchanged.

Romania's transition to a market economy and economic decentralization had a disastrous effect on sheep farmers. Wool was increasingly exported as unprocessed raw material. As it went from being a processed good to raw material, its price dropped drastically. This had a negative effect not only on the farmers themselves, but on the processing, trading, and other industries that are dependent on the sheep farms. Furthermore, farmers tried to get a better price for their wool by washing it in the nearby rivers, contributing to the pollution of the water and posing a potential risk for the natural environment.

## Innovation

In May 1997, the "Local Consortium for the Development of Sibiu's Outlying Areas" was established to address the economic problems of the region. The consortium consisted of the seven cities (Jina, Poiana, Saliste, Fantanele, Cristian, Rasinari and Tilisca) in Sibiu County, as well as the local chamber of commerce, the Sibiu County Prefect Office, the county council, local commodity exchange, and several other NGOs. The local administrations agreed that addressing the problems of the sheep farmers and wool producers would be a valuable start toward bolstering the region's economy.

The resulting "Wool Road" program established eight wool purchasing centers in the consortium villages, as well as a wool washing center in Cristian. The villages were not only concerned about job creation but also about the contamination and health risks posed by wool washing. Thus, the new wool washing center was designed to use modern environmentally friendly processes.

A number of governmental agencies and nongovernmental organizations cooperated to make the program viable. The County Prefect Office coordinated all efforts; the county and cities were responsible for setting up the purchasing centers; and the Work and Social Protection Department provided support for credit. The Sibiu Chamber of Commerce and the commodity exchange established a "Wool Ring" to obtain the best prices for the processed wool.

## Results

The revitalization of sheep farming and new manufacturing facilities has created 30 new jobs in the outlying areas of Sibiu and is expected to further reduce unemployment, expand the processing and trading of wool and its subproducts, and ultimately increase the living standards of the population in the county. The local government will not only benefit from the revenues of the sheep farming industry, but will also save costs of addressing water pollution caused by outdated wool-washing methods.

## Summary

To improve the local economy, Sibiu County worked in close collaboration with the municipal administrations, NGOs, and citizens to develop and implement strategies that would stabilize the sheep farming industry and make it financially viable. With the new wool processing centers and a wool washing center, the local administrations believe they have reversed the growing unemployment rate and have saved the environment from further contamination caused by outdated wool-washing methods.

For further information contact:

Crinu Andranut, Executive Director,  
Romanian-German Foundation  
Tel. (40-65) 210 899  
Fax (40-65) 214 535

Dan Gheorghiu, Coordinator,  
Consulting Team  
Tel. (40-94) 616 512

## Economic Development and Planning



# Using a Tri-County Approach for Economic Development

Arad, Caras-Severin, and Timis Judets, Romania

## Background

In 1992, long before the concept of regional development was known in Romania, several representatives of the local administration of the Arad, Caras-Severin, and Timis Judets (Counties) discussed their region's lack of a coherent development strategy and the need for a unified approach in implementing an economic development policy in the Romanian region of Banat. Since both drafting and implementing such a strategy had to result from an action taken by a specialized entity, the representatives of the county councils, city halls, and chambers of commerce in the three counties decided to establish the Banat Economic Promotion Union. Its stated aim was "to promote the economic development, through specific projects, of the western part of Romania." In the context of a system where the decision-making process is strongly marked by an excessive centralization, a legislative framework that is insufficiently clear, and a central government that is suspicious of local initiatives, however, the union's objectives could not be put into practice.

## Innovation

Despite the failure of their efforts to set up the Economic Promotion Union, local representatives continued to look for opportunities to promote economic development. In 1995 local authorities in Arad, Caras-Severin, and Timis Counties established three separate economic development entities as one agency. The Timis County Agency of Economic and Social Development (ADETIM) is a unique operational structure that focuses on the needs of the region. It is structured as a foundation, with a managing board made up of local authorities and a staff of ten full-time employees. Initially, the equipment, administrative costs, and staff training were funded by an international donor, but today the agency operates as an independent structure. It generates revenue by charging fees for its services; the three counties are its most important clients.

ADETIM was created to identify global and sector development issues, to identify opportunities for economic growth, and to promote joint economic activities. ADETIM also conducts seminars and workshops on issues related to local economic development and has drafted a brochure and investment guide for the Banat region. It has helped three cities in Arad, Caras-Severin, and Timis Counties draft medium-term development strategies.

## Results

With the passage of the Regional Economic Development Law in early 1998, there is now a legal framework defining the concept, terms, and operational structures of regional economic development in Romania and requiring the establishment of regional economic development agencies. Unheard of when it began, the counties' six-year-old initiative now is legally sanctioned and encouraged by the national government.

The efforts of the county government and the local chamber of commerce have taken shape through a viable structure with expertise and qualified staff. ADETIM has proven to be a viable body, functioning under free market principles. It has undertaken the tasks of evaluating local economic potential, identifying domestic and international funding sources, supporting the activity of small and medium-size enterprises, encouraging the development of the private sector, and attracting foreign investors and

## Summary

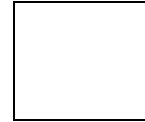
To encourage regional approaches to economic development, the counties of Arad, Caras-Severin, and Timis have established ADETIM, an economic development agency that identifies global and regional development problems, implements solutions, and promotes joint economic development activities.

For more information contact:

Viorel Coifan, Chairman of the  
Timis Judet Council  
Tel. (40-56) 193 676

Sergiu Balasa, Director of ADETIM  
Tel. (40-56) 194 131

capital. These efforts have contributed to the economic and social development of the Banat region.



## **Economic Development and Planning**

### **Creating a System of Support for Entrepreneurs**

Zelow, Poland

#### **Background**

As Poland continues its transition to a market economy, local communities have found that the layoffs and unemployment that often accompany the privatization and restructuring process can create social and economic crises. When a state-owned textile mill in Zelow went bankrupt, for example, the unemployment rate of the gmina and surrounding areas skyrocketed to over 40 percent. Many communities have recognized a need to diversify their economic bases, foster entrepreneurship, entice new businesses to the area, and increase access to capital.

#### **Innovation**

To improve the local economy, the gmina of Zelow initiated efforts to support local businesses and attract new industry. Working with the Ministry of Labor and Social Policy, international donors, local labor offices, regional and other local governments, and the Zelow Development Foundation (a nonprofit NGO created in 1991), the city actively supports the development and promotion of small and medium-size enterprises. Local businesses now have access to consultation and training, bank financing, and loans for start-up and working capital. In addition, the Foundation's Business Incubator helps newly established companies by providing benefits, such as low-cost rent, access to skilled secretarial staff and modern office equipment, supervision and facility management, and promotion to potential domestic and foreign partners.

#### **Results**

Largely as a result of the joint efforts of the public and private sectors, the unemployment rate in Zelow today is just 13 percent. The Zelow Enterprise Fund has made 42 credit guarantees and 103 loans, creating over 700 new jobs. In addition, 11 companies, with 147 workers, are currently involved in the Business Incubator program.

The success of the entrepreneur programs in Zelow has led neighboring communities, including Belchatow, Tguszyń, Lask, Pabianice, Buczek, and Sieradz, to establish Entrepreneurship Support Centers. In Lask, an entrepreneurship support team provides beginning entrepreneurs with advice and consultations; in Sieradz, the newly established Society for the Development of the Central Region publishes a monthly newsletter devoted to economic matters. In each city that has replicated and adapted Zelow's approach to economic development, new businesses and jobs have resulted.

## **Municipal Association Development and Capacity Building**

### **Improving Communication Among Public Finance Offices**

#### **Summary**

To encourage and support new businesses, the gmina of Zelow worked with public and private partners to provide consultations and training, financing opportunities, and technical assistance. Through its efforts, Zelow has created hundreds of jobs and reduced the unemployment rate by over 25 percent.

For more information contact:

Alicja Paprocka  
Zelow Development Foundation  
Tel. (0048) 44-634-1014  
E-mail [frgz@pt.onet.pl](mailto:frgz@pt.onet.pl)

Krzysztof Chmura, Former Vice Mayor of Zelow  
Tel. (0048) 22-654-1846  
E-mail [lgpp@medianet.pl](mailto:lgpp@medianet.pl)

## Background

As a country in transition, both from war to peace and from a centralized to a market economy, Bosnia-Herzegovina (BiH) is reforming its policies, procedures, and institutions. Good communication is a basic need for successful reform. Among the results of the recently ended war in Bosnia-Herzegovina, however, was a damaged infrastructure that made communication difficult. Communication among colleagues and different levels of government was limited. Most communication was conducted by telephone and fax, which were extremely unreliable. The lack of communication avenues among municipalities, the recently formed cantons, and the national government's Ministry of Finance made it hard to obtain information on newly implemented budgeting procedures and financial reporting requirements. A feeling of isolation was common for local government officials.

## Innovation

As a way to bridge the information gap among all levels of government, the newly formed Citizen Association for Public Finance-Sarajevo (UG-JAFIS) undertook an initiative to link finance offices via electronic mail—a new concept for government and public finance practitioners. This involved using the newly developed Internet system of the Post, Telephone & Telegraph (PTT) organization, the provider of telecommunications services in the Federation of BiH. In February 1998, UG-JAFIS sponsored an introductory training seminar on the benefits of using computers and e-mail in everyday work. Approximately 20 senior officials from all of BiH's 10 cantons, UG-JAFIS, and the Federation Ministry of Finance attended the training session. The majority of the attendees had no experience in using computers or e-mail. A Bosnian who worked as a staff assistant for a U.S. nonprofit organization conducted the training program. Following the training, the staff assistant established e-mail accounts and addresses for each of the finance ministry offices. Additional on-site training was then conducted to help users understand how to send and receive e-mail, how to use Internet browsers, and how to transmit documents. By July 1998, a total of 24 e-mail accounts had been established.

## Results

Since the first training seminar, practitioners within the finance ministries have used e-mail to exchange a variety of information. They have used e-mail to communicate with individuals and groups; learn about legislative processes, share budgetary and financial data, and transmit required budget and financial reports to the Federation Ministry of Finance. By establishing e-mail as a regular communication mechanism among cantonal Ministries and Departments of Finance and the Federation Ministry of Finance, it is now easier to obtain legal documents, comments, drafts of laws, and other financial information. Information from around the world has become available to practitioners who were out of touch during the four years of war in BiH. In addition, the new mechanism has improved personal and professional communication among finance professionals, including those who were on different sides during the war.

Cantonal and municipal finance officers are in the process of expanding their use of communication technologies by establishing local area networks (LANs) within their jurisdictions. In addition, a separate information network is being developed to directly link financial offices throughout the Federation. The local project manager continues to

## Summary

To help improve communication among governments at all levels, UG-JAFIS, a newly formed association of finance officers, established e-mail accounts in cantonal offices and the Federation Ministry of Finance. UG-JAFIS also provided training in sending and receiving e-mail messages and using the Internet to senior officials in all 10 cantons. As a result, it is now easier for local officials to share information with one another; to learn about new and proposed legislative processes; and to transmit required budget and financial reports to the Federation Ministry of Finance.

For more information contact:

Ljiljana Simunovic,  
President of UG-JAFIS, and  
Head of Public Revenues &  
Expenditures, Federation  
Ministry of Finance  
Tel. 387-71-206-304  
E-mail  
fmfbudge@bih.net.ba

Kevin Kenzenkovic,  
KENZE, Inc.  
Tel. 847-604-8055

provide assistance (via phone) to Internet users, which has helped ensure the sustainability of the effort.



## **Municipal Association Development and Capacity Building**

### **Providing Technical Assistance Through Mentoring**

Bulgaria

#### **Background**

The Association of Rhodopy Municipalities (ARM), the first regional association of local authorities in Bulgaria, was founded in 1992 by six municipalities: Banite, Devin, Lacky, Madan, Rodozem, and Zlatograd. Today, the association has 17 member municipalities, most of which are very small, both in staff size and population. Because they tend to lack architects, lawyers, and other specialists, it is difficult or impossible for these municipalities to solve day-to-day problems. Furthermore, as the system of government evolves, local governments continue to take on new obligations and responsibilities.

#### **Innovation**

To address the needs of its member municipalities, ARM began a mentoring and peer assistance program in 1997. Municipal officials in need of assistance make a request at ARM's offices. ARM staff then contact specialists (usually full-time city employees) in jurisdictions that have knowledge about and experience in how to resolve the problem. The municipality requesting help may also receive written materials that discuss the legal framework of the issue and/or offer practical suggestions for steps to take. After the assistance, ARM disseminates a report among its members so they can benefit from the experiences of the others.

Member municipalities are entitled to six days of technical assistance per year, which they may use all at once or in several phases. ARM covers 67 percent of the expenses, which include the experts' fees, per diem, travel expenses, printed materials, etc. The other 33 percent is covered by the municipality that receives the assistance.

#### **Results**

ARM has provided technical assistance to 15 municipalities and more than 55 municipal officials in municipal property, privatization, territorial development and planning, budgeting and finance, strategic planning, and service delivery. The mentoring program helps ARM build and maintain a database on municipal issues, problems, and solutions and share innovative solutions with member jurisdictions. In addition, the program has contributed to new and better working relationships among ARM member municipalities and officials from larger municipalities in Bulgaria.

## **Citizen Participation in the Municipal Decision-Making Process**

### **Mobilizing the Community for Urban**

#### **Summary**

To provide practical solutions to concrete problems that municipal officials from one municipality cannot solve alone and to help municipalities establish contacts, and share knowledge and experience, the Association of Rhodopy Municipalities operates a mentoring and peer assistance program. More than 55 local government officials from 15 municipalities have been served by the program.

For more information contact:

Petya Gegova, Executive Director,  
Association of Rhodopy  
Municipalities  
Tel./Fax ++359-301-230-41  
E-mail arm@sm.unacs.bg

# Revitalization

Bielsko-Biala, Poland

## Background

As Poland moves to a free-market economy, its cities are looking to maximize their potential for tourism and other economic uses while preserving their architectural and cultural heritage. Years of deferred maintenance, limited resources, and lack of support from residents make it difficult to implement comprehensive urban revitalization programs. Cities have found that they can mitigate or overcome these obstacles by involving all sectors of the community, sharing experiences, and building upon the successes and failures of other programs.

## Innovation

In fall 1996, the city of Bielsko-Biala organized a cross-sectoral task force to plan the revitalization. The six task force members included Bielsko local authorities, representatives from the city's development and historic preservation office, and members of the community (including an art gallery owner, the chair of the local chapter of the Chamber of Commerce, and a priest). The task force developed a strategic workplan defining and prioritizing the revitalization activities that were needed. These included making the Old Town revitalization plan a part of the city's housing policy, preparing resolutions for the city council, forming a new office to oversee the revitalization project, reserving funds to support initial operating costs, and planning public support activities. When the new office began its activities, the task force reviewed and commented on the master plan and helped develop public relations materials aiming at building public support for the project. The task force continues to provide advice and input.

Bielsko-Biala's approach to economic development has been examined and discussed throughout the country. Building upon this and other examples, seven other municipalities (Kłodzko, Plock, Przemyśl, Rybnik, Sopot, Zamosc, and Ziebie) have embarked on collaborative revitalization projects that make use of citizen task forces. The city's experience also has been disseminated through the Foundation Center for Housing Initiatives, a nonprofit organization in Warsaw that recently assisted in institutionalizing the network of participating gminas through the Revitalization Forum Association. The Association currently engages 20 municipalities across Poland in exchanges of information and institutional experience in historic preservation and economic development.

## Results

Using participatory mechanisms to plan and implement urban revitalization programs has been shown to be effective in dealing with complex issues. When an active group of community representatives works with elected authorities to make decisions, decision making is put in the hands of the community that will be affected by the changes. Building public support for revitalization and ensuring the involvement of institutions and individuals representing a variety of viewpoints and local interests becomes a central element of the program.

The communities have benefited greatly from the work of the task forces. In Bielsko-Biala, for example, the task force has helped the city set priorities regarding its many revitalization needs. The task force also helps coordinate specific projects, such as the renovation of selected buildings, the preservation of the city's character, and decisions about the types of businesses that should be encouraged, with the city's overall development plan. Furthermore, the task force provides the city with a vehicle to engage citizens in the decision-making process.

## Summary

To plan for economic development and garner citizen support for related programs, the city of Bielsko-Biala convened a revitalization task force. The members of the task force provide advice in renovation and rehabilitation programs and help the city prioritize its strategies. Seven other cities in Poland have replicated Bielsko-Biala's approach to urban revitalization.

For more information contact:

Alina Muziol-Weclawowicz,  
Fundacja Centrum Inicjatyw  
Mieszkaniowych  
Tel. +48-22-822-2656  
Fax +48-22-823-1303

Mgr inż. arch. Mariola Polak-  
Opyrchal, President's  
Plenipotentiary on Revitalization of  
Bielsko Old Town  
Tel. +48-33-270-11  
Fax +48-33-270-12



## Citizen Participation in the Municipal Decision-Making Process

### Planning for Community Development

Dzerzhinsk, Russia

#### Background

Dzerzhinsk, a city of 300,000 people located on the River Oka about 400 kilometers east of Moscow that was the center of the Soviet chemical industry, wanted to restructure its economy. The city's 10 major chemical factories have suffered heavily from Russia's economic crisis and are operating at only 20 percent of capacity. The factories also have had a severe impact on the city's health and environmental systems. A 1996 report published by Greenpeace ranked Dzerzhinsk as one of the most polluted cities in Russia. To solve these problems, the mayor and several civic leaders, with help from a U.S. nonprofit organization, developed a community development plan for Dzerzhinsk.

#### Innovation

Dzerzhinsk Mayor Alexander Romanov appointed a committee to develop a strategic development plan with input from a broad cross-section of the community. This committee consisted of 36 people representing the city council and administration, business leaders, and local NGOs. The committee used a community development model that helps the community: (1) define its strengths and weaknesses; (2) develop an ideal vision for itself; (3) match the ideal vision with reality; (4) define the specific steps that need to be taken in order to achieve the vision; and (5) implement the vision.

The project was atypical because from the outset it involved a diverse number of civic groups, not just business associations and major enterprises. The press was invited to participate in most activities, and all meetings were open and accessible to whomever wished to come. After four intensive meetings, the committee held a public hearing to solicit input from a broader range of citizens. This was among the first times that such a public hearing was held in Dzerzhinsk.

Using the information gained from the hearing, the committee produced a statement of long-term goals and objectives, addressing education, health care for children and pensioners, environmental cleanup, recruitment of new industries, diversification of the economy, improvement of the municipal infrastructure, and professionalization of city management. The committee also developed a short-range action plan to address immediate community needs and appointed subcommittees to take on these tasks.

#### Results

At the beginning of the project, there was little positive attitude or willingness compromise, and some citizens believed that their opinion didn't really matter. Civic groups had to be encouraged not only to educate their own members, but to reach out to others. In the end, however, a spirit of teamwork emerged and consensus on the problems evolved. Citizen activists were very involved, both as members of the planning committee and as participants of the open hearing.

Today, the mayor of Dzerzhinsk, city council leaders, department heads, business leaders, and civic groups are working together to implement elements of the strategic plan. Among the programs underway are efforts to establish a fund for business support

#### Summary

To deal with environmental and economic problems plaguing the city and to encourage citizen participation in local government, the mayor of Dzerzhinsk appointed a citizens commission charged with developing a long-term strategic plan for the city. City leaders, the business community, and civic activists played a role in developing this plan and continue to work toward achieving the goals that have been identified.

For more information contact:

Vladimir Sergeievich Voronoi,  
Chief of the Department of Anti-Monopoly Policy and Small Business, City of Dzerzhinsk  
Tel. 7-8313-21-53-74  
Fax 7-8313-33-22-16

and to attract investment; reorganization of library information systems; reform of communal housing and provision of services; development of exhibit space for small businesses to “show” and sell their services or products to potential buyers; establishment of a Human Rights Center; and a health standards initiative that includes efforts to promote healthy lifestyles, prevent illness, and provide for rehabilitation.



## **Citizen Participation in the Municipal Decision-Making Process**

### **Planning for Community Development**

Dzerzhinsk, Russia

#### **Background**

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#### **Summary**

To deal with environmental and economic problems plaguing the city and to encourage citizen participation in local government, the mayor of Dzerzhinsk appointed a citizens commission charged with developing a long-term strategic plan for the city. City leaders, the business community, and civic activists played a role in developing this plan and continue to work toward achieving the goals that have been identified.

For more information contact:

Vladimir Sergeievich Voronoi,  
Chief of the Department of Anti-Monopoly Policy and Small Business, City of Dzerzhinsk  
Tel. 7-8313-21-53-74  
Fax 7-8313-33-22-16



In the end, however, a spirit of teamwork emerged and consensus on the problems evolved. Citizen activists were very involved, both as members of the planning committee and as participants of the open hearing.

Today, the mayor of Dzerzhinsk, city council leaders, department heads, business leaders, and civic groups are working together to implement elements of the strategic plan. Among the programs underway are efforts to establish a fund for business support and to attract investment; reorganization of library information systems; reform of communal housing and provision of services; development of exhibit space for small businesses to “show” and sell their services or products to potential buyers; establishment of a Human Rights Center; and a health standards initiative that includes efforts to promote healthy lifestyles, prevent illness, and provide for rehabilitation.

## **Citizen Participation in the Municipal Decision-Making Process**

### **Improving Water Service**

Chernivtsi, Ukraine

#### **Background**

The local government of Chernivtsi (population 261,000), located in southwestern Ukraine, has begun to tackle the city’s number one problem: water service. The water service problem is typical for communities throughout Ukraine, but in Chernivtsi the problem is exacerbated by a strained relationship between the water utility (the Vodo-kanal) and its customers. In fact, last year the water utility was named “public enemy number one” by the regional office of the state department for consumer protection. Customers complain because the water supply is intermittent, the water is discolored, and fees are rising. Legislative changes mean that the water utility is no longer eligible for funding from the central government; instead, it must appeal to the local government for approval of its prices and financial assistance in the form of budget transfers, relief from local taxes and fees, and/or loan guarantees. Without the support and confidence of its customers—and the local government—the financial position of the water utility will deteriorate even further.

#### **Innovation**

To help forge better relations between the water supply enterprise and its customers, the city of Chernivtsi adopted a plan to increase transparency by providing information to the public, involve the community in establishing priorities for capital investment, develop a financial plan to analyze alternative investment decisions, and work with NGOs so that they play a constructive role in community development.

In January 1998, the city established a joint advisory committee, comprised of citizen-customers and representatives from the city administration, the water enterprise, and local NGOs. The twelve members met once or twice a month to look for ways to improve water service delivery. The joint advisory committee broke into two subcommittees. The finance subcommittee collected financial data from the water enterprise and developed a model that the committee could use to analyze the enterprise’s current condition and examine the effect of different investments on its finances, particularly how the investments would affect revenues and user fees. Meanwhile, the customer subcommittee used focus group and survey techniques to learn from water customers

#### **Summary**

To help forge better relations between the water supply enterprise and its customers, the city of Chernivtsi adopted a plan to increase transparency by providing information to the public, to involve the community in establishing priorities for capital investment, and to develop a financial plan to use in analyzing alternative investment decisions. The city’s efforts have opened new channels of communication between citizens and the water supply provider, allowing each to better understand the existing problems. This will inevitably result in better service delivery.

For more information contact:

Pavlo Kachur, Deputy Director,  
Association of Ukrainian Cities,  
Kiev  
Tel. 044-227-0111  
Fax 044-227-5527  
E-mail [asmist@alpha.rada.kiev.ua](mailto:asmist@alpha.rada.kiev.ua)



what water services they wanted and were willing to pay for.

After collecting data, the board prepared recommendations on improving water service. These recommendations were aired in April 1998 at Chernivtsi's first public hearing on water supply issues. The hearing, which brought together city officials, utility representatives, and the public, was structured so that the focus would remain on constructive actions and dialogue. Those present at the hearing represented various stakeholders, including city officials, citizens, and representatives of the water utility, the regional state administration, associations, and other organizations.

## Results

The committee meetings, the public hearing, and the processes involved in both have ushered in a new era of cooperation among the city, the utility, and the public. Previously, any attempt at discussion of water service resulted in shouting matches between city officials and the public. The increased transparency has increased the amount of information available to the public about the city's goals for improvement in service and the financial situation of the water enterprise. As a result, the public is better able to understand existing problems, as well as the implications of various solutions. In addition, the utility and city officials better understand customers' attitudes and desires.

## Citizen Participation in the Municipal Decision-Making Process

## Collaborating in Building a Regional Landfill

Hajdú-Bihar County, Hungary



## Background

In much of Hungary, the need to provide mandated services is beyond the financial ability of any one village. Communities in Hajdú-Bihar county are small and rural; 75 of the 81 villages have populations under 10,000. The entire southern part of the county, the Bihar portion, is officially classified as a disadvantaged area. Cooperation among villages is essential to the efficient and economical provision of such services.

Only a few of the villages in southern Hajdú-Bihar have any form of organized trash collection. Instead, all of the 40 open dump sites serving 47 villages in the southern part of the county are open to the public. The sites are used also for disposal of septage; a few are collection centers for dead animals, and some accept medical waste.

## Innovation

In 1996 a small group of mayors in southern Hajdú-Bihar County began to work together to seek a cost-effective and environmentally sound solution to their waste management problem. Today, 34 villages have signed an agreement to create the Bihar Solid Waste Management Association, which is in the process of building a single lined landfill that will meet the requirements of the European Union and will adhere to Hungary's environmental laws. In accordance with the terms of the agreement, a steering committee consisting of elected representatives from participating villages and technical experts was formed to gather information and work toward a solution. The committee members visited existing lined landfills to learn more about how they differ from open dumps and the issues that may arise during the planning and implementation stages.

Recognizing that the success of the project depended on citizens' acceptance, the Association created a citizen advisory board to help educate citizens about the need for and costs of the landfill project. Since this was the first such advisory board in the county, the mayors attended a workshop to become acquainted with how such groups work, developed criteria for appointing representatives, outlined responsibilities of the advisory group, and identified a series of "do's and don'ts."

Because the landfill was planned as an intergovernmental project, it was decided that the board should be represented by one citizen for each participating community. The board was charged with developing social criteria and disseminating information to the citizens who would be affected by the new landfill. Like the mayors, the board members visited existing open dump sites and a new lined landfill. Then, working under the constraints set by the governing board, the group reviewed the board's criteria and identified their priorities for siting a new landfill. They met to review the qualifications of the engineering firms that submitted bids for siting services. Also, two members of the advisory group, elected by other advisory group members, represented the group at all meetings of the governing board.

## Results

The Bihar Solid Waste Management Association has successfully garnered the support from the residents of the 34 municipalities and selected a site for a lined landfill. Work is well underway to establish and define a creditworthy association to own and operate the landfill. The governing board has authorized negotiation for primary site acquisition, permitting activities have begun, and financing alternatives are being explored. The joint landfill is expected to save the Bihar section of Hajdú-Bihar County \$12 million in construction costs alone.

## Summary

To remedy the problems associated with open dumps, 34 villages in Hajdú-Bihar County agreed to work together and pool resources to site a new lined landfill. Recognizing that educating citizens about the need for the landfill would be key to success, the new Bihar Solid Waste Management Association established the first citizen advisory board in the county.

For more information contact:

Kozma Sándor, Mayor of  
Biharkeresztes and President of  
the Bihar Solid Waste  
Management Association  
Tel. 06-54-430-001

Olajos Mihály, Mayor of  
Szentpéterszeg  
Tel. 06-54-416-133  
Fax 06-54-416-209



## Citizen Participation in the Municipal Decision-Making Process

### Creating a Land Use and Zoning System with Citizens

Kazan, Russia

#### Background

The absence of market-based land-use systems in Russia impedes the development of the real estate market. Because a property's value depends in large part on the types and parameters of permitted use, the lack of land-use regulations makes real estate ownership and development risky investments. Furthermore, a property's value is influenced not only by its own use or characteristics, but also by its surroundings, which are out of the control of the owner or investor.

#### Innovation

In 1996–97, several cities began to make the transition to modern market-based zoning. The city of Kazan is among the jurisdictions that have divided their area into a number of zones with fixed boundaries and legally defined the rules of land use and construction parameters for each zone. The definitions include the types of permitted property uses, minimum size of parcels, and parameters of permitted construction. This information is included in the local zoning code—a legally binding document.

To ensure that the zoning code would be well received by the public, the city of Kazan conducted a far-reaching public campaign to explain the purpose of the code and get feedback from citizens. In nine administrative locations the city held public hearings that were attended by representatives of the public, private business, and interested citizens. Four public readings and round-table discussions were conducted with the deputies of the city council. The city also held three press conferences to inform the media about the zoning code and to keep them up to date on developments. As a result, the local media outlets in Kazan were instrumental in getting the word out to citizens. Various media organizations published the draft of the code and solicited citizen feedback. Local newspapers published eighteen articles related to the zoning code, and six television programs were aired, including a “live” studio appearance in which project consultants answered questions posed by citizens phoning in. The public campaign yielded 540 suggestions for changes, and 218 amendments were adopted.

#### Results

In June 1998, the Kazan City Council approved the “Urban Planning Code of Kazan.” This code includes zoning rules, which spell out how land is to be used in 42 articles and four maps, which address (1) land use, (2) preservation of monuments, (3) preservation of archeological sites, and (4) water protection zones. The text of the code was approved by the federal and regional governments, including the Tatarstan Ministry of Justice, the Ministry of Culture, the Ministry of Construction, the Kazan Office of the Prosecutor General, and various environmental organizations.

The adoption of zoning regulations in Kazan initiated a new approach to land-use regulation. This approach permits the local government to regain control over urban growth and serves to stimulate market-based development and competitive investment in land and real property. It also encourages investment and democratic participation in local

#### Summary

To raise the city's attractiveness to investors, increase the effectiveness of land sales, preserve real estate value, protect historical heritage, and improve the urban environment, the city of Kazan published an urban planning code, a legally binding document that outlines land-use and construction parameters. An extensive campaign to involve the public helped ensure that the plan would meet the needs of Kazan's residents.

For more information contact:

Askhat Gilezyatdinov, Chief  
Architect of Kazan  
Tel. (8432) 36-1791

Alexander Visokovskii, Project  
Consultant  
Tel. (095) 336-06-54

decision making.



## Urban Service Delivery

# Encouraging Community Collaboration in Public Works

Tatabánya, Hungary

## Background

Before the change of the national system, mining and related industrial branches provided employment for residents of the town of Tatabánya (population 75,000). Following the closure of the mines in the mid-1980s, several factories also shut down. By the mid-1990s, unemployment rates in Tatabánya were far higher than the national average and were worse still in Mésztelep and Colony VI, two areas within Tatabánya that have become artificially segregated areas for impoverished families.

Unemployment has led to grave social tensions, including the eviction of families from their apartments and a high backlog of public utility fees.

## Innovation

The local administration in Tatabánya looked for solutions to the growing economic crisis. In joining with the Ethnic Minority Office (NEKH) and Partners Hungary Foundation, a Hungarian mediation organization, the city was able to gain the momentum needed to initiate a public works program that would ease the plight of residents through extensive community collaboration. Consultations were held with the city government, local businesses, nonprofit organizations affected by the program, NEKH, and Partners Hungary to elaborate the details of the program. This teamwork helped form the parameters of the work program, which included hiring the majority of workers from areas affected by Colony reconstruction and from the Gypsy minority population, which was most affected by the financial situation. The program targeted those who were not part of the employment benefit system and/or had social hardships.

The collaboration also brought together people who could implement the plan. Program meetings, attended by representatives from the municipal government, local civic organizations, the labor center, and Partners Hungary were held once or twice a month. The goal of these regular meetings was to identify any problems that came up, elaborate possible solutions, and plan current and future tasks.

After six months, a meeting of the first group of workers was held. This meeting had three goals: (1) to familiarize program planners with workers' concerns and try to address them, (2) to manage tension or conflict, and (3) to demonstrate to the workers that they were appreciated. This meeting also helped reduce worker turnover.

## Results

The one-year program began in December 1996. The first session employed 125 people; the second served 130 people. The total cost of the program was HUF 77 million, HUF 67 million of which was paid for through a grant from the central government. The remaining funding came from the municipality.

The work program had several direct benefits. First of all, it helped improve the cleanliness and safety of the community: Mésztelep, Colonies VI and VII, Károly junction,

## Summary

To ease the effects of unemployment and poverty and to provide community services, the city of Tatabánya brought together city officials, the Gypsy Minority Government, the business community, NGOs, and other stakeholders to plan and implement a public works program. The collaboration not only has given temporary relief to impoverished families, it has led to improved relationships among Gypsies and other citizens and between the local government and the Gypsy Minority Government.

For more information contact:

Sándor Geskó, Chief Trainer,  
Partners Hungary Foundation  
Tel. 269-19-24; 923-19-24  
Fax 269-64-04  
E-mail  
[partners@partners.euroweb.hu](mailto:partners@partners.euroweb.hu)

and areas near Power Plant 1 were restored; streams, ditches, and shoulders were cleaned; and trees and bushes overreaching the roads were trimmed. In addition, the program kept many families from starvation without social welfare. The workers gained control over their lives and returned to the official or legal labor system. But the indirect benefits of the work program are perhaps more striking. It has led to improved relationships among the Gypsies and other members of the community. Also, the local government and the minority government have forged a better working relationship and learned new ways of relating to one another.

## Urban Service Delivery

# Improving Local Transportation Systems

Ivano-Frankivsk, Ukraine

## Background

In Ukraine, 80–90 percent of the population regularly uses public transportation. In mid-size cities (with a population of 200,000–500,000), electric trolley buses are the most common form of transportation. With independence came a decrease in transportation services in Ukraine. Buses were operating at just 50–60 percent of the service levels that they had provided, and by July 1997 fares were more than 16 times (in real terms) what they had been eighteen months before. As a result, passengers experienced severe overcrowding, long waits, service breakdowns, restricted service, and poor fare collection. These problems have contributed to public anger and a general loss of confidence in government and reforms associated with independence. In public opinion surveys, respondents ranked transportation as the service with which they are least (or second least) satisfied.

## Innovation

With donor assistance, nine cities are repairing existing vehicles while taking steps to restructure trolley bus finances and operations. The cities match US\$1 million in donor investments with funds from their budgets and take part in workshops and seminars on a host of municipal transportation issues, including trip scheduling and routing, maintenance and repairs, and finance (accounting, inventory management, competitive procurement, and improved fare collection).

The city of Ivano-Frankivsk has emerged as a leader in fleet restructuring to cut costs and provide faster, more direct travel to passengers. In Ivano-Frankivsk, Electroavto-trans, the trolley bus company, has restructured its fleet to compete with the private minibus operators that appeared in 1997. An analysis of the costs of adding diesel-powered full-size buses and minibuses to the fleet found them to be cheaper, faster, and more flexible to route than trolley buses. Planners studied forecasts of decreasing public transport demand and the projected changes in demand patterns in light of the supply of public transport from public and private sources. They projected the fare revenue and purchase and operating costs of the diesel buses. The city then prepared a business plan and applied for a loan from a local bank to purchase minibuses using the vehicles as collateral. Separate cost centers have been established to monitor the profitability of trolley buses and minibuses.

## Results



## Summary

To address growing dissatisfaction with local public transportation, the city of Ivano-Frankivsk upgraded the trolley bus system to add minibuses to its fleet and redesign routes. The changes have led to drastic improvements in service. Once subsidized by the city's general funds, today the trolley bus system is able to recoup the cost of service through user fees and charges.

For more information contact:

Victor Rachkevych, Association of Ukrainian Cities, Kiev  
Tel. 044-227-0111  
Fax 044-227-5527  
E-mail [asmist@alpha.rada.kiev.ua](mailto:asmist@alpha.rada.kiev.ua)

Since early 1998, Electroavtotrans has operated a mixed fleet consisting of 47 trolley buses and 25 minibuses to serve the residents of Ivano-Frankivsk. The minibuses provide 20-passenger capacity, offering premium service at a reasonable fare. Routes have been redesigned to accommodate passengers' needs, which has eliminated transfers and improved the quality of service significantly. Today, Electroavtotrans is able to operate on its own, without subsidies from the city budget.



## Urban Service Delivery

# Creating Autonomous Public Utilities

Mongolia

## Background

Although Mongolia was not technically a part of the Soviet Union, it adopted most of the Soviet organizational, managerial, and institutional practices in the provision of municipal services. Since the Soviet Union's break-up, Mongolian local governments have been struggling to provide adequate municipal services, including water, wastewater, solid waste removal, public baths, and housing maintenance.

## Innovation

To help strengthen municipal services and make them financially self-sustainable, the Government of Mongolia has enacted legislation creating Public Urban Services Organizations (PUSOs). There are five PUSOs in place, with plans to install them in all 21 Aimags (administrative districts of the central government).

The PUSOs provide municipal services using assets that remain in the ownership of the central government. They are local entities incorporated as limited liability companies, each with its own board of directors. Although the only stockholder is the central government, the board of directors has complete autonomy, with the exception of selling assets. Each PUSO will support itself with user fees and subsidies from the state and Aimags to cover the expenses of those who cannot provide for their water and wastewater services. Aimag governments also will assist with capital improvements on a case-by-case basis. In addition, each PUSO and Aimag will enter into a service agreement that stipulates measurable, objective performance criteria. An independent regulatory commission has been set up to oversee tariffs, approve tariff increases, and provide a forum for customers to be heard.

## Results

The establishment of PUSOs represents a fundamental shift in the central government's approach to the efficient provision of local services. Incorporation of the PUSOs as limited liability corporations has focused the service and financial performance on the PUSOs' newly organized management team. This, in turn, has brought about specific improvements in day-to-day service and in collections in general. The performance agreements between the PUSOs and the Aimags also call for progressive improvements in service, finance, and operational criteria.

Although these reforms have yet to be fully implemented, the utility services have already benefited from the initial restructuring, transition to International Accounting Standards, and adoption of some improved cost accounting measures. Ultimately, the PUSOs will implement a range of modern utility management practices. This will enable them to prepare accurate business and financial plans, to seek donor and local

## Summary

To improve the delivery of municipal services, the central government in Mongolia has set up Public Urban Services Organizations (PUSOs). PUSOs are independently operated local entities. They are owned by the central government but are managed by a local board of directors. Although there are only five PUSOs in place (with plans to initiate them in all 21 districts), PUSOs have already shown that they can deliver better, more efficient, and more effective services.

For more information contact:

Ts. Damiran, Vice Minister,  
Ministry of Infrastructure  
Development  
Tel. (9761) 327 804  
Fax (9761) 310 612

private financing, and to become viable candidates for public-private partnerships.

## Urban Service Delivery

# Addressing Unemployment Through Public Works

Lom, Bulgaria

## Background

According to the Ministry of Finance, Lom was among the municipalities most affected by the changes that occurred as a result of Bulgaria's transition to a market economy. As subsidies from the central government for municipalities were reduced, almost all local activities in housing and infrastructure development ceased, contributing to a growing unemployment problem—particularly among the low-qualified workers who make up Lom's Gypsy population. Gypsies constitute 10 percent of Lom's population (compared with a 5 percent national average). By the beginning of 1998, Lom's unemployment rate had risen to 25.7 percent. It was particularly difficult for Gypsies to find jobs that would last more than a few months.

## Innovation

In 1996, the city of Lom initiated several programs to address the growing unemployment and poverty of the local Gypsy population. The city worked closely with other interested parties, such as the Labor Bureau, social workers, and local employers, to build partnerships and to reach consensus on steps that should be taken to help low-income residents be self-supporting and obtain needed resources for achieving results.

In cooperation with NGOs serving the minority population, the city began a concerted effort to address the elevated school drop-out rate among the Gypsy population. Preparatory classes and bilingual books were provided, an annual jobs orientation program was initiated, and a new social worker joined the school staff. Additional in-kind assistance (e.g., food stamps, school items, or clothes) was targeted for families with children regularly attending school.

The city also implemented programs to facilitate the transition from social assistance to employment. Under one program, employers who hire long-term unemployed persons for more than six months are reimbursed by the city for a part of their salary (up to five months at minimum wage). The mayor and representatives of the National Employment Service negotiate quotas for the employers. The city also has initiated a new community work program in which beneficiaries of social assistance work for at least five days each month repairing infrastructure, cleaning streets, maintaining parks, and so on.

## Results

Through its reimbursement program, the city has helped find employment for about 20 percent of the unemployed population. The public works program also has expanded; it currently helps more than half of the registered long-term unemployed. Despite their short duration, these jobs facilitate social contacts, which are particularly important for people excluded from the labor market for a long time. In many cases, these people are able to find full-time employment through the contacts they make in the program. As a result, Lom has reduced the number of recipients of social assistance benefits. In 1997, Lom saved 18 million leva—or 3.2 percent of the municipal budget for social



## Summary

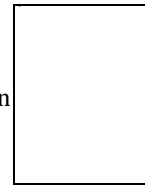
To address escalating unemployment and poverty, particularly among the minority Gypsy population, the city of Lom has worked with other local partners to facilitate the transition from public assistance to work. The city subsidizes local businesses that hire long-term unemployed persons and requires public assistance recipients to participate in a public works program. The city has made further efforts to mitigate Gypsies' future problems through school-based programs designed to help Gypsy youth stay in school.

For more information contact:

Theodora Noncheva, Center for the Study of Democracy  
Tel. +359 2 971 3000  
Fax +359 2 971 22 33  
E-mail [tedy@online.bg](mailto:tedy@online.bg)

assistance.

Lom's public works initiatives have been replicated in seven other cities in Bulgaria. The Community Work Program has been particularly effective in regions with high unemployment rates and a large number of unskilled residents.



## Environmental Management

# Developing a Private Waste Collection System

Ternopil, Ukraine

## Background

One of the major consequences in Ukraine of the collapse of the Soviet Union was the erosion of municipal services infrastructure. Many of the necessary services that state-owned industrial structures delivered directly or provided funding for simply stopped. At the same time, municipal budgets throughout Ukraine shrank dramatically, losing over 20 percent per year in purchasing power during the early 1990s.

In Ternopil, a small city in western Ukraine, the collection and disposal of inorganic waste became a major problem in the early 1990s. Until 1995, the waste was collected by one municipal company and was financed from the city's operating budget. As the municipal budget became tighter, the quality of waste collection and disposal services declined drastically. The Zheks, state-administered housing and public building services agencies, were unable to organize adequate trash removal from the city's trash bins, and citizens and businesses began unauthorized dumping, creating unsightly, unsanitary, and illegal refuse piles throughout the city.

## Innovation

City officials became alarmed about the lack of waste collection and the threat it posed to the health of citizens. In 1995, the city of Ternopil contacted Altfather, a German refuse company, to explore a possible partnership. Altfather developed a proposal to contract with the local government for waste collection and removal. Although Altfather clearly had the capacity to perform the needed tasks, early post-Soviet society remained antithetical to the provision of municipal services through private enterprise. Many people were opposed to the idea that profit should or could be a reasonable motive for performing such services.

A joint effort was needed to overcome political and social obstacles. The mayor addressed the procedural issues necessary to commercialize what had been up to now a strictly governmental function. The Entrepreneurship Development Department of Ternopil educated political leaders and initiated a public education process to acquaint citizens with the benefits of private enterprise, particularly as it related to more efficient delivery of services and job creation. The local business community, particularly the leaders of small and medium-size businesses who had formed the Ternopil League of Entrepreneurs, also became an ally in generating support.

By the end of 1995, the Ternopil Municipal Council and Altfather had worked out an agreement for Altfather-Ternopil to remove the city's nondegradable wastes. The Zheks also developed mutual contracts for waste disposal with Altfather.

## Results

The innovation succeeded in privatizing waste management by drawing together a private German-Ukrainian joint venture, the city government, and the emerging business

## Summary

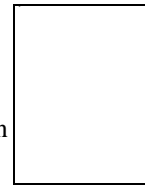
To address the growing crisis resulting from inadequate trash collection and illegal dumping, the city of Ternopil contracted with a private German firm to provide waste collection and disposal services. Through the collaborative effort of the local government and the business community, Ternopil was able to overcome significant political obstacles and resistance to the idea of hiring a for-profit company to provide municipal services.

For more information contact:

Mikhail Ibragima, Deputy Head of the Entrepreneurship Development Department of Ternopil City Rada  
Tel. (0532) 22-01-05  
Fax (0532) 22-53-44



community. As a result of the contract, the city of Ternopil has received a capital investment of approximately \$350,000 and has received additional revenue in its operating budget from Altfather. Fifteen new jobs have been created. In addition, waste collection has been improved, and the city has become cleaner—over half of the city is now cleaned to European standards. These successes have led the new mayor to expand the program, with the help of the Ternopil League of Entrepreneurs, and to look for new opportunities to involve private enterprises in the solution of the city's problems.



## Environmental Management

# Improving the Efficiency of a District Heating System

Vladimir, Russia

## Background

Centralized district heating systems in Russia were formed over the years under a centrally planned economy when power was cheap and the entire system had excess heating capacity. The centralized distribution of heat creates problems, however. Identical buildings get a different level of heat. While some are too hot, and residents open windows to cool the rooms, others are too cold. Yet, both are billed equally.

The recent transition to a market economy revealed that supplying energy is one of the most expensive municipal services and that existing systems are energy inefficient. This led to a consensus that heat should be distributed and purchased as needed and that consumers should be billed according to consumption. To accomplish this, local heating systems needed to be more flexible so that they could adjust to changes in weather and fluctuations in consumption.

## Innovation

In 1992, Vladimir became one of the first cities in Russia to install a system to control the distribution of heat. The system allowed operators to control the flow of heat 24 hours a day, transmitting data by radio to the central dispatch computer. With help from a \$3.3 million grant from USAID, Vladimir set up three demonstration zones, in which 118 heat stations in 53 apartment buildings, three schools, and a kindergarten were equipped with heat meters and systems of automated control. In addition, a few noiseless pumps were installed to improve water circulation. An automated boiler station was equipped with three meters to measure the heat supplied by the Combined Heat and Power Production Plant.

## Results

The heat distribution control system and other equipment has been in operation in Vladimir for about two years. The project resulted in the following: 5,328 Gcal increase in heat production and supply to the residential sector at the same level of fuel consumption; fuel savings of 2,960 tons of fuel oil at approximately 16 percent cost savings; and a 15-percent reduction in the discharge of major air pollutants, including reductions in greenhouse emissions. Based on these cost savings, the improvements will have paid for themselves in just a few years: 5.1 years for a boiler house and 7.36 years for district heating plants. Environmental benefits that are expected to be realized in the next two years include a 41-ton reduction in SO<sub>2</sub> emissions, a 3.09-ton reduction in NO<sub>x</sub> emissions, and a 1,800-ton reduction in CO<sub>2</sub> emissions.

## Summary

To improve efficiency in the municipal district heating system, the city of Vladimir participated in a number of projects, including reconstruction of the district heating stations, and installation of advanced control and automation equipment. In 1996, 118 stations were equipped with modern control equipment, which resulted in considerable savings in fuel consumption while increasing the heat production, and reduction of major air pollutant emissions.

For more information contact:

Victor Vakhromeev, Technical Director of the Project and Director of NPP "Electrotehnoservice," Vladimir  
Tel. (0922) 34-4906

Other cities in Russia are using the technology demonstrated in Vladimir to revamp their heating systems. The cost of the systems, which varies depending on the size of the area reconstructed, are being borne by the local governments. Although cities are under pressure to pay for the systems using their own funds, most will rely on commercial loans to finance the improvements. The cities of Volgograd, Borovichi, and Neryungi, for example, have completed the first stage of installation and are in the process of negotiating loans to finance the improvements.



## Environmental Management

### Using Risk Assessment To Improve Decision Making

Volgograd, Novokuznetsk, Nizhnii, Tagil, Angarsk, Perm, and Yekaterinburg, Russia

#### Background

As Russia moves toward a market economy and democratic forms of government, severe environmental degradation and ineffective environmental regulations are principal challenges. Local governments must take environmental considerations into account if they are to avoid undermining the processes of economic and political reform. At the same time, budgetary and institutional constraints call for policies that minimize the costs of achieving environmental objectives. Local governments must establish priorities for policy action.

#### Innovation

Risk assessment and risk-benefit analysis allow local governments to arrive at priorities for policy action. After participating in a training program introducing these mechanisms, the cities of Volgograd, Novokuznetsk, Nizhnii, Tagil, Angarsk, Perm, and Yekaterinburg used them to identify and prioritize environmental problems. The cities conducted risk assessments to determine the level of risk to human health posed by air and water pollution. Based on the results, they then undertook cost-benefit analyses to evaluate alternative strategies and identified investment priorities. Each city developed a set of recommendations for regulatory change and/or developed a plan for investment in pollution abatement. Steering committees, with representatives from local environmental and health authorities, city administrations, and environmental health experts, helped guide the environmental decision making.

In Volgograd, for example, a quantitative health risk assessment of major stationary source air polluters was undertaken. Results indicated that two facilities—an aluminum factory and a steel factory—generated more than 80 percent of all particulate emissions. A number of alternatives were explored to reduce the emissions at both factories and were included in a cost-benefit analysis. This allowed options to be prioritized in terms of cost-per-change for each option.

#### Results

More than 600 local officials and environmental specialists have attended seminars introducing the fundamentals of risk assessment, and at least seven cities have used what they learned to implement pollution abatement plans. Policy makers now have cost-effectiveness criteria that they can use to measure and rank environmental investments and other policies. This allows cities gain the greatest possible benefit from their limited resources. Participation by officials from different departments and levels

#### Summary

To identify and mitigate environmental problems in a cost-effective manner, seven Russian cities have used risk assessment methodology to identify risk factors, evaluate alternative strategies for reducing pollution risks, and recommend regulatory change and/or targeted investments to address pollution sources. The comprehensive risk assessment and cost-benefit analysis allow policy makers to prioritize investments and to make optimal use of limited resources.

For more information contact:

Olga Ponomareva, Director of the  
Moscow Consulting Center for  
Health Risk Assessment  
Tel. (095) 954-1386  
E-mail [olga@ponamar.msk.ru](mailto:olga@ponamar.msk.ru)

within the city governments has improved the decision-making and priority-setting process.

In 1997 Russia issued its first federal regulations involving health risk assessment. In addition, a series of guidelines on implementation of risk assessment was developed. Reports on risk assessment and cost-effective analyses were published as Working Papers by the Moscow Center for Health Risk Assessment and are available on request.

## Budgeting and Financial Management

# Improving Budgeting Through Use of a Financial Model

60 cities in Ukraine

## Background

In the transition to a market economy and a democratic political structure, it is increasingly evident that sustainable reforms must begin at the local level. Municipalities in Ukraine have been given the responsibility to manage urban services that affect people's daily lives, but they are not provided with adequate resources to deliver those services. Cities want to seize the opportunity to gain autonomy from centrally-controlled government by establishing sound financial and managerial approaches.

## Innovation

To help local governments engage in sound financial management, a team of financial experts designed and programmed the budgetary financial analysis model (FAM) in Microsoft® Excel software. The objectives of FAM are to give a common framework to the municipal financial management team (the finance director, mayor, department directors, and finance committee of the city council); assess the trends and composition of municipal finances in the city; enable the municipal financial management team to present a strong case in budget negotiations with the oblast; and educate the public, interest groups, and elected and appointed officials in municipal finance constraints.

Municipal staff in six pilot cities participated in the development of the computer tool, testing it as they entered past and current years' revenue and expenditure data. Once data have been entered, Budget staff fill in separate expenditure sheets for each city department and public enterprise. Each city's financial management team of appointed and elected officials reviews FAM's charts and graphs of the balance between revenues and expenditures, comparison of current year to past years, cash flow projections, and the relationship between operating and capital expenditures. Cities use the standard analytical features of the tool and modify the model to fit their needs.

## Results

More than 60 cities used FAM-generated graphs and charts to present a comparative summary of city revenues and expenditures at the January 1997 meeting of the Association of Ukrainian Cities. In August, the budget preparation features of FAM were demonstrated and distributed at a meeting of the Finance Officers' Association, in time for preparation of the much-delayed 1997 municipal budgets.

The draft national law on the local government budget system was to a great extent



## Summary

To help provide sound financial analysis and management, several cities in the Ukraine have planned and tested a new financial analysis model and have used the model to prepare their annual budgets. FAM enables financial experts to check compliance with mandated service norms and provide better and more accurate analysis of the data.

For more information contact:

Pavlo Kachur, Deputy Director,  
Association of Ukrainian Cities,  
Kiev  
Tel. 044-227-0111  
Fax 044-227-5527  
E-mail [asmist@alpha.rada.kiev.ua](mailto:asmist@alpha.rada.kiev.ua)

based on analysis of the FAM data from the more than 60 cities. Finance directors and mayors from the most active FAM cities were strong advocates for the law and attended workshops held by the Association of Ukrainian Cities in which they reviewed the draft law in detail and made recommendations.

Since FAM was completed in 1997, several cities in Ukraine have used it to prepare their annual budgets. In Chernivtsi, the finance department staff used FAM in preparing both the 1997 and 1998 city budgets. City departments and boards forwarded data to the finance department, enabling the financial experts to use FAM's calculation and analytical features to check compliance with mandated service norms. That year, in a case that received national media attention, the city was able to justify almost 6 million hryvnia (equivalent to US\$3 million) in mandated service costs above the oblast's proposed allocation. In June 1998 the mayor of Chernivtsi reported that the presentation, discussion, and approval of the budget was facilitated by FAM providing faster, more accurate, and more graphic analysis of the data.

## **Budgeting and Financial Management**

# **Strengthening Financial Self-Sustainability of Utilities**

Russia

## **Background**

Russian water and wastewater utilities have encountered numerous hurdles in their efforts to make the transition from the Soviet era to a market-based managerial and financial system. Huge subsidies for operations and for capital replacements and improvements are needed to keep the utilities even marginally sustainable. According to federally-mandated accounting and financial reporting requirements, 15 cities in Russia were showing a profit. However, when International Accounting Standards (IAS) were applied, all but three showed a loss. The Russian Accounting System focuses primarily on taxes owed rather than on financial performance and allows various expenses to be "hidden" in reserve accounts rather than being reported as operating expenses as required by the IAS system. These limitations made it difficult to derive an accurate picture of a city's financial status.

## **Innovation**

Recognizing that only through greater efficiency and reduction of costs could the water and wastewater utilities afford to make even modest capital improvements, new methodology was introduced to reorient the utilities toward more efficient financial and operational performance. The methodology allows management and accounting staff to reformat the data using account numbers mandated by the Russian Accounting System to IAS formats. The utilities can use the methodology to derive new financial statements (Balance Sheet, Income Statement, and Statement of Sources and Uses) in accordance with modern accounting techniques used in the West. These assessments take an average of two months. From September 1996 to January 1998, 15 cities used the methodology to revise their finance reports to correspond to IAS standards and financial performance reporting.

## **Results**

## **Summary**

To strengthen the financial management and self-sustainability of water and wastewater utilities, 15 cities in Russia have revised their financial statements and reports according to International Accounting Standards. Methodology was developed that allows utilities to reformat the data using account numbers mandated by the Russian Accounting System to IAS formats. As a result, the cities are better able to negotiate for capital loans and to measure their financial performance more accurately.

For more information contact:

Valery I. Ilyin, Director, Dept. of  
Housing & Communal Services,  
City of Cheboksary  
Tel. 7 (8350) 22 32 80  
Fax 7 (8350) 22 10 31

Originally intended as the starting point for negotiations to obtain capital loans, the methodology also proved to be an effective tool to strengthen financial management. The reformatted information provides a clearer picture of the utilities' credit capacity and ability to repay loans and allows financial performance to be measured more accurately by relating the cost of operation to revenue received. This will enable water and wastewater utilities to demonstrate to donor agencies and other potential lenders their financial capacity to repay a loan while maintaining or improving current levels of service. The methodology allows utility enterprises to move one step closer to self-sustainability.



## **The Role of the Municipality in Housing**

### **Privatizing Housing Management**

Odessa, Ukraine

#### **Background**

Although real estate has been valued as Ukraine's greatest capital asset, housing remains one of the country's most significant social and economic problems. Most Ukrainians cannot purchase housing with their own savings at existing market prices. The absence of competition in housing management and maintenance deprives residents of choice and minimizes the quality of maintenance and repair. The low rents do not even cover basic services to the buildings, making repair and renovation infeasible. Even though the state spends approximately one fourth of its gross domestic product on housing, the existing housing stock is unable to meet the needs of residents. In 1993 Ukraine focused attention on the privatization of the housing stock and management.

#### **Innovation**

In 1994 a one-year pilot program was undertaken in the city of Odessa to demonstrate the feasibility of providing high-quality private management and maintenance services to the municipally-owned housing stock. The city's executive committee selected 1,668 apartments to be involved in the pilot program. A steering committee oversaw the transition from municipal to private ownership and monitored the results. Municipal owners and contractors participated in training to learn about the benefits and strategies of private maintenance.

Then the process of awarding service contracts was undertaken: selecting the bid package and calculating financing procedures. The city issued a press release and a request for proposals, widely advertising the date and goal of bidding through television and other local media. In addition, the city held a pre-bid conference one month prior to the bidding. To select the best contractor, the steering committee developed a special chart to rank each bidder according to specific criteria, such as experience, staffing, references, work plan, cost, and interview. Bonus points were also available for the completeness of the bid. In addition, the city provided an unofficial inspection of the current financial status and reputation of bidders. After an eight-month planning period, a winner was selected from among the seven bidders. The contract was negotiated, buildings inspected, and tenants notified.

#### **Results**

The experience gained through the pilot in Odessa has been replicated in 55 cities throughout Ukraine. There are currently more than 100 private companies involved in managing the housing stock. The management of nearly 50 percent of the Ukrainian

#### **Summary**

To focus on the privatization of the housing sector and introduce competition in housing maintenance and repair, a pilot program was undertaken in Odessa to demonstrate the feasibility of private management of municipally-owned housing. The city undertook a request-for-proposals process to encourage applications from private organizations and to award a service contract to the best provider. Resident surveys reveal the success of privatization—citizens are more satisfied with almost all types of the services provided. The pilot program has been replicated in 55 cities throughout Ukraine and was instrumental in the central government's housing reform initiatives.

For more information contact:

Sergei A. Rudoi, Program Coordinator, Housing and Municipal Reform Support Center, Odessa  
Tel. +38 (0482) 25-09-15 or 22-05-81  
Fax +38 (0482) 21-04-41  
E-mail [rudoi@farlep.net](mailto:rudoi@farlep.net)

housing stock has been privatized, although some of the housing is still owned by the municipality. Current work is underway to privatize entire buildings as condominiums or cooperatives. In Odessa, an additional 10,000 units in three areas are currently being transferred to private management. Results from Odessa also have been used by Ukrainian officials in drafting housing legislation. In June 1995, the Supreme Council of Ukraine adopted a "Housing Policy Concept" to bring about housing reform.

The main obstacle to privatization of housing management in Ukraine is many city officials' resistance to change, a legacy of the Soviet era. But reform is proceeding despite their opposition. Surveys of the residents of Odessa and Kharkiv taken before and after housing management was privatized indicate that citizens are more satisfied with almost all types of services. Local governments also have benefited from the lower costs and better quality of maintenance. Because housing maintenance provides job opportunities for entrepreneurs, it has also helped strengthen local economies.



## **The Role of the Municipality in Housing**

# **Developing Housing Through NGOs**

Poland



## Background

The advent of democratization and economic reform in Poland shifted responsibility for housing from central authorities to newly-elected local governments. There was extreme pressure to meet the pent-up demand for improved housing, but little private-sector capacity. The state-dominated, deeply entrenched housing industry was incapable of responding to the new demands of the free market. Newly-established local governments were overwhelmed by their new responsibilities and unsure of their role in promoting housing construction. Municipalities in Poland realized that they could not provide the necessary housing services without help from the private sector.

## Innovation

In 1992–94, the municipalities of Białystok and Zory participated in a pilot initiative in which they partnered with the private sector to expand the supply of housing. The local governments, housing cooperatives and their members, contractors, and financial institutions collaborated in forming public-private partnerships and redefined their roles with respect to housing delivery. Nongovernmental institutions called Agencies to Support Housing Initiatives (AWIMs, Polish abbreviation) were established in each city to provide technical assistance to housing cooperatives.

Thirty-two municipalities in Poland have successfully replicated the institutional arrangement piloted in Białystok and Zory. In each, the local government and the AWIM cooperate to develop new housing delivery strategies, facilitate financing, and provide technical support to small housing cooperatives. AWIMs and local governments also work together to identify suitable sites for development, identify infrastructure needs, and arrange financing for infrastructure development. Local governments may provide some financial, in-kind, or operational support to AWIMs. AWIMs work with members of the cooperatives to identify available financial resources and plan the process of housing delivery, tailoring support to individual members' needs and preferences.

## Results

AWIMs have helped bring together the public and private sectors in working toward a mutually agreed-upon goal: the development of timely, cost-effective, and consumer-responsive housing projects. This effort has developed a model for public-private partnerships that has been replicated across the country. To date, 730 units (townhouses or small apartment buildings) have been completed at 14 sites, 216 units are under construction at these and an additional 8 sites, and 389 units are planned. The average cost per square meter is 20 percent lower than for comparable houses, and the basic development cycle has been reduced to only two years. The average usable space of each family has doubled from 60 to 120 square meters.

This model institutionalizes a market-based housing delivery system, facilitates the cooperative involvement of both the public and private sectors, and improves the quality of life of citizens. The model has shown that the development of the local, nongovernmental sector can play a significant role in the development of housing that is cost-effective and responsive to consumer needs. Through the AWIMs, the supply of housing has been expanded, which has helped local governments meet their citizens' pent-up demand.

## Summary

To develop the housing sector and provide needed housing construction, 32 municipalities have implemented a new model of public-private partnerships. This model institutionalizes a market-based housing delivery system, facilitates the cooperative involvement of both the public and private sectors, and improves the quality of life of citizens.

For more information contact:

Fundacja Centrum Inicjatyw  
Mieszkaniowych, Warszawa  
Tel. +48-22-822-2656  
Fax +48-22-823-1303

Jerzy Krawczyk, Deputy Mayor,  
Bielsko-Biala City Hall; Malgorzata  
Lyko, AWIM Bielsko-Biala  
Tel./Fax +48-33-12-3128

Michał Smigielski, Deputy Mayor,  
Rybnik City Hall; Roza Korbel,  
AWIM Rybnik  
Tel./Fax +48-36-42-215-67

Janusz Koper, Deputy Mayor, Zory  
City Hall; Regina Lappo, AWIM  
Zory  
Tel./ Fax +48-36-434-2071

**The Role of the Municipality in Housing**

## **Implementing Market-Based Rent Reform Strategies**

Gdynia, Szczecin, Krakow, and Radom, Poland



## Background

Rent reform is a crucial aspect of the development of a market-based housing sector. A large proportion of the communal housing stock in Poland is owned and managed by local governments (gminas). Housing is subject to rent control under the 1994 Rent and Housing Allowances Act, which placed responsibility for local housing policy in the hands of the gminas. The legislation anticipated that gminas would raise rents to cover maintenance expenses, with affordability for lower-income tenants to be maintained through a housing allowance program. Rents in communal housing in Poland, however, remain well below economic or market levels, and the utilization of housing allowances is much lower than had been anticipated. As a result, most gminas are charging rents that are too low to cover even current maintenance costs. This makes capital repairs to the stock impossible, particularly since there is a substantial backlog of capital needs.

## Innovation

Without rent reform, local gminas are unable to finance much-needed improvement, but higher rents for most residents make rent reform an unpopular measure. Acting with widely different schemes and approaches, a few local governments have overcome obstacles to rent reform, varying the level and the structure of rents. Many have developed detailed “point” schemes to differentiate rents according to quality and location. The cities of Gdynia and Szczecin, for example, have implemented aggressive rent policies and are among the few gminas that have planned regular rent increases. Both gminas plan to achieve the goal of setting rents at three percent of replacement cost on or before 2004. To overcome political and social opposition to rent increases, both Gdynia and Szczecin were careful to involve all housing market stakeholders (council members, tenants, citizens, and gmina officials) in discussions of proposals to increase rents to market levels. These gminas have also made rent increases part of comprehensive long-term plans for the housing sector.

Krakow has begun to establish variations in rents through the application of the “hedonic technique,” a market-based methodology that helps gminas adopt market-based rent structures in the portion of the stock that they own or for which they set rent policy. Krakow is the only Polish gmina that has applied this technique.

The Radom Social Housing Association (RTBS), which manages Radom’s communal housing, has successfully lobbied councilors to approve higher rent levels. The RTBS is pushing for rent increases for badly needed maintenance resources, forging important links among new construction, rehabilitation of the communal stock, and proposed forms of subsidization in the move toward a more market-oriented housing sector.

## Results

The short-term results of rent reform include increased revenues (both from rents and greater management efficiency), better targeting of subsidies (so that assistance is not provided to households that do not need it), and, through improved pricing, better matching of households and units. Krakow has begun a process that “mimics” market rent structures in free markets—a key reform that Western Europe has made for publicly-owned housing. In Gdynia and Szczecin, rents are close to a “market” level. Although it has taken some work to get council members, tenants, gmina management companies, and gmina housing officials to come to agreement about rent increases, involving stakeholders in the decision-making process has helped Gdynia, Szczecin, Krakow, and Radom overcome the political and social opposition to rent increases.

## Summary

To bring prices of housing to market levels, several cities in Poland have scheduled regular rent increases, developed schemes to vary the price of housing according to location and quality, and adopted market-based rent structures for municipally owned housing. Success has stemmed largely from the involvement of all stakeholders, including council members, housing authorities, and tenants, in the decision-making process.

For more information contact:

Wiestaw Byczkowski, Mayor of Gdynia  
Tel. (058) 620-66-95  
Fax (058) 620-82-26

Roman Witowski, Department Head, Gdynia  
Tel. (058) 621-87-15  
Fax (058) 621-67-64

Leszek Duklanowski, Vice Mayor of Szczecin  
Tel. (091) 22-53-32  
Fax (091) 42-45-85

Marcin Kozłowski, Department Head, Szczecin  
Tel. (091) 423-05-40  
Fax (091) 423-35-08

Józef Lassota, Mayor of Kraków  
Tel. (012) 616-13-08  
Fax (012) 422-81-72

Kazimierz Jurek, Department Head, Kraków  
Tel/Fax (012) 421-16-23

Leszek Kłodziński, Vice Mayor of Radom  
Tel/Fax (048) 362 68-70

Irena Pastuszka, Department Head, Radom  
Tel. (048) 362 04-01  
Fax (048) 362-68-70

## **Developing Telecottages to Facilitate Communication**

Hungary

### **Background**

Ninety percent of Hungary's cities and villages are small, rural communities. Unemployment is high in many of these villages, and municipal governments struggle to provide basic services. The shortage of government resources results in a host of problems for residents, including inferior education, a declining environment, and inadequate social and human services. The remoteness of some of Hungary's rural villages also makes it difficult for government officials to network with colleagues or to get information about workable strategies to solve their most pressing problems.

### **Innovation**

Recognizing that better communication is a solution to these problems, Hungarian communities began exploring the idea of telecottages in 1992. Telecottages are multi-functional service sites with advanced information and communication technologies. A typical telecottage is located in a room in a government or community facility and has computers, copiers, telephones, and fax machines available for community use. Telecottage staff gather and provide information in any field that may be of interest to the public—local government procedures, jobs, houses for sale, and other “selling-buying” information. They often publish local newspapers or circulate information about local affairs. Usually, telecottage staff will find any information requested by a visitor. The first Hungarian telecottage was based in a small library in Nagymágocs in May 1994.

Telecottages are nongovernmental, nonprofit organizations with their own staff (up to six persons) and a cadre of volunteers who run special programs or services. While the program is a national initiative, individual telecottages are developed by local initiative, which may come from the civic, government, or business sector. The first 30 telecottages were supported by donor funding, but today funding comes from three sources: (1) fee-based services, such as office and communication services; (2) grants and donations; and (3) contracts with local government for providing public services, such as social services or education programs. The central government of Hungary also supports the National Telecottage Program organized by the Hungarian Telecottage Association.

One of the most prosperous activities of telecottages is cooperation with local, regional, and central government agencies. Through contracts with local governments, telecottages provide public information; social, educational, and cultural services; employment listings; local economic development support; and other services. They are working with central agencies to set up franchise contracts to widen this cooperation.

### **Results**

The use of telecottages has become widespread in Hungary during the past five years. The Hungarian Telecottage Association, which was founded by 15 individuals in late 1994, currently has almost 180 members and continues to spread word of the benefits of telecottages. Fifty telecottages are currently operating—and that number is expected to double in the next year. Only one telecottage (Nagymágocs) has failed to generate the support needed to stay open after donor funding ended.

Recently, the Hungarian Telecottage Association decided to set up a public utility

### **Summary**

To help share information with citizens and with one another, many of Hungary's local governments have initiated and encouraged telecottages—nonprofit organizations that provide a range of information and telecommunications services. Telecottages, which exist in 50 locations in Hungary, contract with government agencies to provide public information; social, educational, and cultural services; employment listings; economic data; and other services.

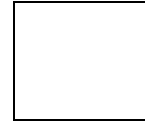
For more information contact:

Gyozo Kovacs, President,  
Hungarian Telecottage Association  
Tel. +36 1 356 1563  
Fax +36 1 356 1563  
E-mail kovacs@mail.datanet.hu

Matyas Gaspar, Director, National  
Telecottage Program  
Tel. +36 22 424 085  
Fax +36 22 424 085  
E-mail manyo@mail.alba.hu

Hungarian Telecottage Association  
Project Office  
Tel. +36 22 564 010  
Fax. +36 22 564 012  
E-mail  
programiroda@mail.matav.hu  
Web site www.telehaz.hu

company to serve the telecottage network, which in addition to managing the program, would organize, develop and operate the network services, thereby helping establish conditions that will facilitate the long-term sustainability of telecottages nationwide.



## National Initiatives To Build Local Capacity

### Fostering Effective Media Coverage of Local Affairs

Moscow, St. Petersburg, Nizhny Novgorod, Ekaterinburg, Novosibirsk, and Rostov-on-Don, Russia

#### Background

After seven decades of Communist media control, local officials and journalists alike lacked experience in public relations and open media coverage of local government affairs. Despite a decade of glasnost, government entities at all levels still hesitate to open themselves to public scrutiny.

#### Innovation

In 1992, the National Press Institute (NPI, once called the Russian-American Press and Information Center) established a network of six regional press centers, located in Moscow, St. Petersburg, Nizhny Novgorod, Ekaterinburg, Novosibirsk, and Rostov-on-Don (which will soon be moving to Samara). A new center will soon open in Vladivostok.

A major mission of NPI's network of press centers is enhancing the interaction between local media outlets and local governments. NPI promotes government accountability by holding press briefings, thereby providing journalists with access to officials who are otherwise difficult to reach. NPI organizes hundreds of briefings annually featuring federal and local officials, including local council deputies, ministers, mayors, and governors. This effort represents an important step toward regularizing government-press interaction in a constructive, public-service-oriented fashion. Beginning in 1998, the most noteworthy briefings will be transcribed and made available on the Internet.

NPI also works to foster media relations by training public relations specialists and others. In Nizhny Novgorod, for example, the local government works with the NPI press center to hold regular briefings and roundtables on economic development, agriculture, the environment, and other important public issues. The press center and the local administration's public relations department also conduct training seminars for journalists and local government officials. A new series of seminars is being designed for press secretaries of local NGOs.

#### Results

Although there are some exceptions, local government officials in cities served by NPI regional press centers have generally become more open to mass media coverage. The cooperation between the press centers and local governments has improved public access to information and allowed better-informed decision making.

The services of NPI continue to further the skills of local government public relations staff. The 1996 seminar for local government public relations specialists in Nizhny Novgorod prompted several districts to establish biannual regional seminars for local government public relations officials. In addition, as the result of constructively critical media coverage, local government authorities often take more effective measures to address problem areas. Following a 1996 press conference in St. Petersburg that

#### Summary

To help build relations between government and media organizations, the National Press Institute conducts press briefings and training seminars in six regional centers. NPI's services have helped local government become more open and accessible to Russian citizens.

For more information contact:

Vladimir Svetozarov, Executive Director, Moscow National Press Institute (NPI)  
Tel./Fax (095)202-5351  
E-mail [svetv@npi.ru](mailto:svetv@npi.ru)  
Web site: <http://www.npi.ru>

Natalia Skvortsova, NPI Regional Coordinator, Nizhny Novgorod  
Tel./Fax (8312)35-62-53  
E-mail [nnrapic@glas.apc.org](mailto:nnrapic@glas.apc.org)

Anna Sharogradskaya, NPI Regional Coordinator, St. Petersburg  
Tel./Fax (812) 272-4672  
E-mail [srapic@glas.apc.org](mailto:srapic@glas.apc.org)

Liudmila Shevchenko, NPI Regional Coordinator, Ekaterinburg  
Tel./Fax (3432) 58-96-63  
E-mail [yuri.kotov@usu.ru](mailto:yuri.kotov@usu.ru)

Sergei Vorobyov, NPI Regional Coordinator, Novosibirsk  
Tel./Fax: (3823) 66-75-21  
E-mail [nskrpic@glas.apc.org](mailto:nskrpic@glas.apc.org)  
Web site <http://www.nstu.ru/npi>

revealed the plight of homeless orphans following their release from the city's Children's Home, the mayor made finding housing for the children a priority.